



Bill Fraher, CPA

TOWN OF ASHBURNHAM, MASSACHUSETTS

**Basic Financial Statements, Required Supplementary
Information and Supplementary Information**

**Year ended June 30, 2016
(Except for the Electric Enterprise Fund
which is December 31, 2015)**

(With Independent Auditor's Report Thereon)

TOWN OF ASHBURNHAM, MASSACHUSETTS

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Independent Auditor's Report

The Honorable Board of Selectmen
Town of Ashburnham, Massachusetts:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashburnham, Massachusetts, as of and for the year ended June 30, 2016 (except for the Electric Enterprise Fund which is December 31, 2015), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Electric Enterprise Fund, which is both a major fund and represents 29% of total assets, 22% of net position and 78% of revenues of business type activities of the Town of Ashburnham. Those financial statements have been audited by other auditors whose report has been furnished to me, and my opinion on the general purpose financial statements, insofar as it relates to the amounts included for the Electric Enterprise Fund, is based solely on the report of the other auditors. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Electric Enterprise Fund were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of a material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I express no such opinion. An audit also includes evaluating

the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashburnham, Massachusetts, as of June 30, 2016 (except for the electric enterprise fund which is December 31, 2015), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 12 and the schedules of net pension liability and pension contributions on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ashburnham's financial statements as a whole. The combining fund financial statements listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Implementation of GASB 68

As discussed in Note 15, for the 2015 financial statements the Town implemented GASB Statement #68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement #71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Beginning net position for governmental activities was restated for the June 30, 2015 statements. As the electric enterprise fund is presented as of its previous fiscal year ended December 31, 2015, the aforementioned GASB statements were not implemented for the Light Department until this year's statements and, as a result, electric enterprise fund and business-type activities beginning net position were restated this year. My opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated March 15, 2017 on my consideration of the Town of Ashburnham's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Bill Fraher, CPA
March 15, 2017



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

The Honorable Board of Selectmen
Town of Ashburnham, Massachusetts

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashburnham, Massachusetts, as of and for the year ended June 30, 2016 (except for the electric enterprise fund which is December 31, 2015), which collectively comprise the Town's basic financial statements and have issued my report thereon dated March 15, 2017. The financial statements of the Electric Enterprise Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ashburnham's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Ashburnham's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain other matters that I reported to management of the Town of Ashburnham, Massachusetts, in a separate letter dated March 15, 2017.

This report is intended solely for the information and use of the Board of Selectmen, management, others within the organization, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



Bill Fraher, CPA
Boston, Massachusetts
March 15, 2017

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2016

This section of the Town of Ashburnham's annual financial report presents a discussion and analysis of the Town's financial activities during the fiscal year ended June 30, 2016. Please read it in conjunction with the additional information at the front of this report and the financial statements, which follow this section. Amounts related to business type activities and enterprise funds include the Town's electric light department, which is included in the financial statements as of its fiscal year ended December 31, 2015.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities (net position) at the close of the current fiscal year by \$48,345,749, a decrease of \$908,783 (1.8%) from the prior year (as adjusted). Governmental activities showed a decrease in net position of \$678,916 (3.0%) due to OPEB expenses while business-type activities showed a decrease of \$229,867 (0.9%), primarily due to water and sewer fund activity (unfunded depreciation).
- Total fund balance of the Town's governmental funds at June 30, 2016 was \$3,725,120, an increase of \$377,273 from the prior year. This was primarily due to general fund budgetary results.
- At the end of fiscal 2016, unassigned fund balance for the general fund (excluding stabilization and capital improvement balances) was \$625,575, an increase from \$106,541 last year. This represents approximately 4.0% of total general fund budgeted expenditures. Total general fund unassigned fund balance, including stabilization and capital improvement funds was \$1,458,886, up from last year's amount of \$907,526.
- The Town adopted a retiree health and life insurance benefit starting in 2014. This resulted in recognizing a post-employment benefit (OPEB) liability beginning with the 2014 financial statements. This has a financial statement balance of \$1,948,604 at June 30, 2016. The accrued actuarial liability as of July 1, 2013 (the initial measurement date) is \$5,830,758, of which is \$245,000 is funded at this time.
- For the year ended June 30, 2015, the Town implemented GASB Statement #68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement #71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The implementation of this statement required that the Town record the beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period. This was done in 2015 for governmental activities and water and sewer business-type activities. For the 2016 statements, the electric enterprise fund implemented these GASB statements for their fiscal year end of December 31, 2015. As a result, beginning net position for electric business type activities was restated and decreased by \$1,578,203.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town of Ashburnham's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

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June 30, 2016

statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements report information about the Town with a broad overview of its finances using accounting methods similar to those used by a private-sector business.

The statement of net position presents information of all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Town is improving or deteriorating. The statement of activities presents information showing how the Town's net position changed during the year. All changes in net position are reported as soon as the underlying event causing the change takes place.

Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements of the Town are divided into two categories:

- **Governmental activities** – Governmental activities of the Town such as general government, public works, public safety, public roads, education, health, recreation and culture are reported here. Property taxes, state aid and local fees and charges finance most of these activities.
- **Business-type activities** – The Town charges fees to users to help it cover costs of certain services it provides. The Town's electric, water and sewer operations are included here.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Similar to the government activities in the government-wide financial statements, most of the Town's basic services are presented here. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of available resources. They also focus on the balance of available resources at the end of the fiscal year. This information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is short-term and government-wide funds are long-term it is useful to compare similar information presented for governmental funds with governmental activities in the government-wide financial statements. This comparison may demonstrate the long-term implications of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and charges in fund balances provide a reconciliation to facilitate this

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

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June 30, 2016

comparison between governmental funds and governmental activities. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and school capital projects fund, which are each considered a major fund. Data from other governmental funds are combined into a single aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements.

The Town adopts an annual budget for its general fund. A budgetary comparison schedule for the general fund is presented to show how actual results (on a budgetary basis of accounting) compared with the original and final budget. The governmental fund financial statements can be found on pages 15 - 16. Reconciliations to the entity wide statements appear on pages 17 - 18 and budget to actual information appears on page 19.

Proprietary funds - The Town uses enterprise funds (one type of proprietary fund) to account for electric, water and sewer activities which are all considered to be major funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 20 - 22.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The Town is the trustee, or fiduciary. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries and the agency fund. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Town's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 23 and 24.

Notes to the basic financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 25- 47.

Other information - In addition to the basic financial statements and accompanying notes this report also presents required supplementary information related to pensions and supplementary information, which pertains to nonmajor governmental funds and pensions.

Required supplementary information can be found on page 48 and supplementary information can be found on pages 49 through and 50.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the Town's case, net position (the amount by which assets exceeded liabilities) are \$48,345,749 at the close of the most recent fiscal year, which is down slightly from the prior year.

Of this amount, -\$6.6 million is considered unrestricted (unrestricted negative net position), compared to -\$4.4 million at the end of the prior year. The unrestricted (negative) net position of the Town's governmental activities is -\$5.7 million (compared to -\$5.1 million at the end of the prior year) and represents liabilities and deferred inflows in excess of assets and deferred outflows. The unrestricted net position of the Town's business-type activities is -\$0.9 million (compared to -\$0.9 million at the end of the prior year) and represents liabilities and deferred inflows in excess of assets and deferred outflows. The decreases in unrestricted net position are due mostly to pension and OPEB liabilities. The aforementioned prior year balances, as they relate to electric light activities, have been adjusted for the pension restatement.

The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, furniture and equipment), less any related debt to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

During the current fiscal year, total net position of the Town decreased \$908,783 (1.8%) from the prior year. Governmental activities showed a decrease in net position of \$678,916 (3.0%) due to OPEB and pension expenses while business-type activities showed a decrease of \$229,867 (0.9%), primarily due to unfunded depreciation as well as OPEB and pension expenses.

Governmental activities - The Town's total governmental activities revenue was \$16,508,928, a 1.4% increase from the prior year amount of \$16,281,564. The breakdown of revenue by source is detailed below.

Revenue by Source – Governmental Activities

Charges for Services	\$ 765,331	4.6 %
Operating Grants and Contributions	493,064	3.0 %
Capital Grants and Contributions	421,066	2.6 %
Property Taxes	12,882,164	78.0%
Excise Taxes	903,975	5.5%
Intergovernmental	873,716	5.3%
Unrestricted Investment Earnings	72,567	0.4%
Miscellaneous	97,045	0.6%
Total Governmental Revenue	\$16,508,928	100.00 %

As shown in the table above, the vast majority of governmental activities revenue is derived from property taxes, with lesser amounts from excise taxes and state aid. There were no significant changes from the prior year other than the usual increase in property taxes and strong excise tax collections.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

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Town's total governmental activities expenditures for fiscal year 2016 were \$17,258,975, an increase from the prior year amount of \$16,104,666. As shown below, education expenditures were \$8,049,211, which is 46.6% of the total.

General Government	\$ 2,059,230	11.9 %
Public Safety	3,891,630	22.5 %
Education	8,049,211	46.6 %
Public Works	1,901,143	11.0 %
Human Services	225,096	1.3 %
Recreation & Culture	384,560	2.3 %
Interest on Debt Service	748,105	4.4 %
TOTAL	\$17,258,975	100.00 %

Business-type activities - Total revenues from electric, water and sewer were \$6,447,818, a decrease from the prior year amount of \$6,583,630. Electric revenue was \$4,845,913, an increase from the prior year amount of \$4,801,377, water revenue was \$726,894 a large decrease from the prior year amount of \$1,277,779 (due to last year's capital grant) and sewer revenue was \$733,481, an increase from the prior year amount of \$504,474 due to the timing of betterments and government grants. Electric revenues were more than expenses and transfers by \$181,931, water revenues were less than expenses and transfers by \$90,062 and sewer revenues were less than expenses by \$321,736 (water and sewer amounts are due mainly to unfunded depreciation).

Revenue by Sources - Business-type activities – Revenues were primarily generated from charges for services, with other revenues coming from special assessments and debt subsidies from the Commonwealth of Massachusetts.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the Town's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for future spending.

At the end of fiscal 2016, the Town's governmental funds reported a combined ending fund balance of \$3,725,120 compared to \$3,347,847 at the end of fiscal year 2015, an increase of \$377,273. This was primarily due to general fund budgetary results. Of the total fund balances at the end of fiscal 2016, \$1,458,886 is available for spending at the Town's discretion (general fund unassigned fund balance, which includes stabilization fund balance of \$393,315 and a capital improvement fund balance of \$439,996).

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2016

The remainder of fund balance is: 1) assigned to liquidate contracts and warrants of the current period (\$211,453), 2) nonspendable permanent fund principal (\$349,336), 3) restricted for permanent fund expenditures (\$499,132) or 4) restricted or assigned for special revenue fund purposes (\$401,354) or capital projects (\$4,326) and restricted for a bond premium amortization (\$800,633).

The general fund is the chief operating fund of the Town. At the end of fiscal 2016 unassigned fund balance of the general fund was \$1,458,886, an increase from \$907,526 last year. This increase was due primarily to current year operating results (mainly unexpended appropriations and the close out of old special revenue funds). As a measure of liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance excluding stabilization and capital improvement balances represents approximately 4.0% of total general fund expenditures, up from 0.7% last year. Total unassigned fund balance, including stabilization and capital improvement balances, represents approximately 9.4% of total general fund expenditures, up from 5.8% last year, which means that there has been an increase in general fund unassigned funds in relation to the Town's total budgetary needs.

Proprietary funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the proprietary funds at the end of the year totaled \$26,467,201, compared to \$26,697,068 (as restated) last year. Unrestricted net position (deficit) totaled -\$928,178 (compared to -\$890,848 last year). The most significant reason for the decrease in unrestricted net position unfunded depreciation and OPEB expenses.

Budgetary highlights - The differences between the original budget and final budget were due to Finance Committee reserve fund and end of year transfers. Actual revenues were more than budget by \$86,307 (0.6%) with no significant variances in any categories. Expenditures were less than budget by \$272,735 (1.7%), due to some Town departments having unexpended and unencumbered funds at year end. Total budgeted expenditures were \$15,546,738 and the total budgeted revenues were \$15,269,134. In addition, there were budgeted transfers in of \$102,373 and budgeted transfers out of \$10,110. The budgeted difference of \$185,341 was to be funded from available fund balances in the general fund. Actual results show that the Town did better than budget by \$527,436 and so more than replenished the budgeted use of available funds.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for governmental and business-type activities as of June 30, 2016, amounts to \$73,841,560 (net of accumulated depreciation of \$39,686,452), down 2.3% from \$75,619,054 at the end of the prior year. The investment in capital assets includes land; buildings; improvements; machinery and equipment; park facilities; streets; sidewalks; and electric, water and sewer systems. Governmental activity infrastructure includes improvements that were put in service after 1980. The major additions in 2016 were for the water line project and for road improvements. Additions were less than depreciation, resulting in the overall decrease in net capital assets.

The detail of capital assets at June 30, 2016 (including light department amounts as of December 31, 2015) is as follows:

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2016

	Governmental Activities	Business-type Activities
Land and land improvements	\$ 3,423,578	\$ 317,063
Buildings & improvements	40,772,235	9,084,274
Equipment & machinery	9,373,680	3,976,728
Infrastructure	6,570,945	38,050,356
Construction in progress	-	1,959,553
Accumulated depreciation	(16,770,880)	(22,915,572)
Total	\$43,369,558	\$30,472,402

Additional information on the Town's capital assets may be found in Note 4 to the financial statements pages 33 – 34.

Long-term obligations - At June 30, 2016 the Town had a total long term obligations outstanding of \$34,157,664, compared to \$31,165,166 at the end of last year. Of the amount at June 30, 2016, \$26,986,203 relates to governmental activities and \$7,171,461 relates to business-type activities. Of this total, \$22,381,934 is related to the Town's long term debt. All debt is a general obligation of the Town, although electric, water and sewer debt service payments are made from the resources of the enterprise funds. The main reasons for the increase in long-term obligations were pension and OPEB expenses as well as a water bond issue, offset by debt retirements.

The Town adopted an OPEB plan beginning in 2014. The total liability per the financial statements at June 30, 2016 is \$1,948,604 and the total unfunded accrued actuarial liability as of the measurement date of July 1, 2013 is \$5,830,758. The Town's net pension liability in the financial statements (which includes the electric light department as of December 31, 2015) is \$8,704,496.

Additional information on the Town's long-term debt can be found in Note 7 to the financial statements beginning on page 35.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Position

For the Year Ended June 30, 2016

(Electric Business-Type Activity is as of December 31, 2015)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,508,634	1,072,655	3,581,289
Investments	1,615,300	-	1,615,300
Receivables (net of allowance for uncollectibles)	2,167,854	809,931	2,977,785
Due from commonwealth	2,370	-	2,370
Other assets	-	1,139,696	1,139,696
Total current assets	6,294,158	3,022,282	9,316,440
Noncurrent assets:			
Cash and cash equivalents - special funds	-	2,922,550	2,922,550
Other assets	-	978	978
Special Assessments	-	70,291	70,291
Due from commonwealth	-	296,057	296,057
Capital assets not being depreciated	3,423,578	2,276,616	5,700,194
Capital assets being depreciated, net	39,945,980	28,195,786	68,141,766
Total noncurrent assets	\$ 43,369,558	33,762,278	77,131,836
Total assets	49,663,716	36,784,560	86,448,276
Deferred Outflows of Resources			
Deferred amounts related to pensions	566,333	156,320	722,653
Liabilities			
Current liabilities:			
Warrants and accounts payable	\$ 169,849	398,285	568,134
Accrued payroll and withholdings	152,652	-	152,652
Other accrued liabilities	143,956	151,262	295,218
Accrued interest payable	361,371	-	361,371
Accrued compensated absences	163,087	-	163,087
Unamortized bond premium	46,481	-	46,481
Bonds payable	1,190,696	592,881	1,783,577
Total current liabilities	2,228,092	1,142,428	3,370,520
Noncurrent liabilities:			
Other liabilities	-	76,425	76,425
Accrued compensated absences	158,910	-	158,910
Other post-employment benefits	1,619,074	329,530	1,948,604
Unamortized bond premium	754,152	-	754,152
Net pension liability	6,558,335	2,146,161	8,704,496
Bonds payable	16,495,468	4,102,889	20,598,357
Total noncurrent liabilities	25,585,939	6,655,005	32,240,944
Total liabilities	27,814,031	7,797,433	35,611,464
Deferred Inflows of Resources			
Deferred amounts related to pensions	537,470	38,748	576,218
Rate stabilization and purchased power reserve	-	2,637,498	2,637,498
Total deferred inflows	537,470	2,676,246	3,213,716
Net Position			
Net investment in capital assets	25,683,394	26,141,316	51,824,710
Restricted for:			
Perpetual funds - nonexpendable	349,336	-	349,336
Perpetual funds - expendable	499,132	-	499,132
Capital projects	4,326	-	4,326
Other specific purposes	1,068,081	1,254,063	2,322,144
Unrestricted	(5,725,721)	(928,178)	(6,653,899)
Total net position	\$ 21,878,548	26,467,201	48,345,749

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS**Statement of Activities**

For the Year Ended June 30, 2016

(Electric Business-Type Activity is for the year ended December 31, 2015)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities:							
General government	\$ 2,059,230	35,437	180,177	-	(1,843,616)	-	(1,843,616)
Public safety	3,891,630	637,031	40,197	-	(3,214,402)	-	(3,214,402)
Education	8,049,211	-	-	-	(8,049,211)	-	(8,049,211)
Public works	1,901,143	82,566	72,500	421,066	(1,325,011)	-	(1,325,011)
Human services	225,096	8,632	127,769	-	(88,695)	-	(88,695)
Recreation and culture	384,560	1,665	66,191	-	(316,704)	-	(316,704)
Interest on debt service	748,105	-	6,230	-	(741,875)	-	(741,875)
Total governmental activities	17,258,975	765,331	493,064	421,066	(15,579,514)	-	(15,579,514)
Business-type activities:							
Water	816,956	699,036	27,858	-	-	(90,062)	(90,062)
Sewer	1,055,217	666,183	67,298	-	-	(321,736)	(321,736)
Electric	4,737,502	4,948,347	-	-	-	210,845	210,845
Total business-type activities	6,609,675	6,313,566	95,156	-	-	(200,953)	(200,953)
Total government	\$ 23,868,650	7,078,897	588,220	421,066	(15,579,514)	(200,953)	(15,780,467)
General revenues:							
Property taxes					12,882,164	-	12,882,164
Excise taxes					903,975	-	903,975
Intergovernmental					873,716	-	873,716
Unrestricted investment earnings					72,567	39,096	111,663
Miscellaneous					97,045	-	97,045
Transfers in (out)					71,131	(68,010)	3,121
Total general revenues and transfers					14,900,598	(28,914)	14,871,684
Changes in net position					(678,916)	(229,867)	(908,783)
Net position - beginning of year, as restated					22,557,464	26,697,068	49,254,532
Net position - end of year					\$ 21,878,548	26,467,201	48,345,749

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Balance Sheet - Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 2,081,234	427,400	2,508,634
Investments	759,105	856,195	1,615,300
Receivables:			
Property taxes	202,420	-	202,420
Tax liens and foreclosures	1,655,153	-	1,655,153
Motor vehicle excise	95,329	-	95,329
Departmental	206,204	108,973	315,177
Less: allowance for abatements	-	-	-
Less: allowance for uncollectibles	(100,549)	-	(100,549)
Other assets	324	-	324
 Total assets	 4,899,220	 1,392,568	 6,291,788
<u>Deferred Outflows of Resources</u>			
All deferred outflows	-	-	-
 Total assets and deferred outflows of resources	 \$ 4,899,220	 1,392,568	 6,291,788
<u>Liabilities</u>			
Warrants and accounts payable	\$ 144,808	25,041	169,849
Accrued payroll and withholdings	152,652	-	152,652
Other liabilities	139,550	4,406	143,956
 Total liabilities	 437,010	 29,447	 466,457
<u>Deferred Inflows of Resources</u>			
Unavailable revenue	1,991,238	108,973	2,100,211
<u>Fund balances</u>			
Nonspendable	-	349,336	349,336
Restricted	800,633	770,906	1,571,539
Assigned	211,453	133,906	345,359
Unassigned	1,458,886	-	1,458,886
 Total fund balances	 2,470,972	 1,254,148	 3,725,120
 Total liabilities, deferred inflows of resources and fund balances	 \$ 4,899,220	 1,392,568	 6,291,788

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Property taxes	\$ 12,832,962	-	12,832,962
Excise taxes	894,364	-	894,364
Departmental charges for services	501,480	116,730	618,210
Licenses and permits	130,369	-	130,369
Intergovernmental	937,381	713,026	1,650,407
Fines and forfeits	25,065	-	25,065
Investment income	37,939	34,628	72,567
Other	49,590	148,105	197,695
Total revenues	15,409,150	1,012,489	16,421,639
Expenditures:			
Current:			
General government	1,122,677	207,201	1,329,878
Public safety	2,414,002	124,815	2,538,817
Education	7,015,149	-	7,015,149
Public works	1,192,003	512,591	1,704,594
Human services	110,566	63,785	174,351
Recreation and culture	235,987	63,148	299,135
Intergovernmental	49,705	-	49,705
Employee benefits	895,461	-	895,461
Other	100,843	-	100,843
Debt service	2,007,564	-	2,007,564
Total expenditures	15,143,957	971,540	16,115,497
Excess (deficiency) of revenues over expenditures	265,193	40,949	306,142
Other financing sources (uses):			
Operating transfers in	270,767	-	270,767
Operating transfers out	(10,110)	(189,526)	(199,636)
Total other financing sources (uses)	260,657	(189,526)	71,131
Net changes in fund balances	525,850	(148,577)	377,273
Fund balance, beginning of year, as revised	1,945,122	1,402,725	3,347,847
Fund balance, end of year	\$ 2,470,972	1,254,148	3,725,120

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Reconciliation of the Governmental Fund Balance Sheet

To the Statement of Net Position

For the Year Ended June 30, 2016

Total fund balances - governmental funds \$ 3,725,120

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land and land improvements	3,423,578	
Infrastructure assets	6,570,945	
Buildings and building improvements	40,772,235	
Other capital assets	9,373,680	
Construction in progress	-	
Accumulated depreciation	(16,770,880)	
Total Capital Assets		43,369,558

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred or are not recorded in the funds. 2,100,211

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds. These liabilities consist of:

Bonds payable	(17,686,164)	
Accrued interest on bonds, net of subsidy	(359,001)	
Unamortized bond premium	(800,633)	
Compensated absences	(321,997)	
Net pension liability, net of deferrals	(6,529,472)	
Other post-employment benefits	(1,619,074)	
Total long-term liabilities		(27,316,341)

Net position of governmental activities \$ 21,878,548

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Reconciliation of the Governmental Funds - Statement of Revenues,
Expenditures and Changes in Fund Balances To the Statement of Activities
For the Year Ended June 30, 2016

Net changes in fund balances - governmental funds

\$ 377,273

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, these amounts
are recorded as capital assets and depreciated over
their estimated useful lives. This is the amount by which
depreciation is more than capital outlays for the year.

(1,203,744)

Bond proceeds provide financial resources and bond payments
are recorded as expenditures in governmental funds, while
these are recorded as increases or decreases to long-term
liabilities in the statement of net position. This is the amount
by which bond proceeds and premiums were less than long-term
debt repayments for the year.

1,259,459

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenue in the funds,
while revenues previously accrued in the statement of activities
may be recorded as revenue in the funds.

87,289

Some expenses in the Statement of Activities do not require
the use of current financial resources are not reported in the funds.

(1,199,193)

Changes in net position of governmental activities

\$ (678,916)

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS**Budgetary Comparison Schedule - General Fund**

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance To Final Budget Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 12,894,740	12,894,740	12,817,809	(76,931)
Excise taxes	767,300	767,300	894,364	127,064
Departmental charges for services	478,538	478,538	501,480	22,942
Licenses and permits	144,882	144,882	130,369	(14,513)
Intergovernmental	906,352	906,352	931,151	24,799
Fines and forfeits	24,000	24,000	25,065	1,065
Investment income	8,250	8,250	5,613	(2,637)
Other	45,072	45,072	49,590	4,518
Total revenues	15,269,134	15,269,134	15,355,441	86,307
Expenditures:				
General government	1,200,868	1,117,255	1,076,162	41,093
Public safety	2,487,037	2,469,637	2,412,308	57,329
Education	7,016,428	7,015,178	7,015,149	29
Public works	1,150,372	1,383,717	1,389,647	(5,930)
Human services	125,712	117,712	110,566	7,146
Recreation and culture	225,349	242,349	222,829	19,520
Debt service	2,008,421	2,006,521	2,001,334	5,187
Intergovernmental	49,705	49,705	49,705	-
Employee benefits	1,038,517	1,003,425	895,460	107,965
Other	141,239	141,239	100,843	40,396
Total expenditures	15,443,648	15,546,738	15,274,003	272,735
Excess (deficiency) of revenues over (under) expenditures	(174,514)	(277,604)	81,438	359,042
Other financing sources (uses):				
Operating transfers in	102,373	102,373	270,767	168,394
Operating transfers out	-	(10,110)	(10,110)	-
Total other financing sources (uses)	102,373	92,263	260,657	168,394
Net changes in fund balances	(72,141)	(185,341)	342,095	527,436
Fund balance, beginning of year, adjusted			1,016,794	
Fund balance, end of year			1,358,889	

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS**Statement of Net Position - Proprietary Funds**

For the Year Ended June 30, 2016

(Except for Electric Enterprise which is as of December 31, 2015)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 182,163	153,515	736,977	1,072,655
Receivables (net):				
User charges	118,141	134,532	191,644	444,317
Other	-	3,694	169,513	173,207
Unbilled revenue	97,825	94,582	-	192,407
Materials and supplies inventory	-	-	255,911	255,911
Prepaid expenses	-	-	80,364	80,364
Other assets	-	-	768,849	768,849
Due from Commonwealth	13,360	21,212	-	34,572
Total current assets	411,489	407,535	2,203,258	3,022,282
Noncurrent assets:				
Cash and cash equivalents - depreciation fund	-	-	1,254,063	1,254,063
Cash and cash equivalents - customer deposits	-	-	78,534	78,534
Cash and cash equivalents - stabilization fund	-	-	1,589,953	1,589,953
Other assets	-	-	978	978
Special Assessments	-	70,291	-	70,291
Due from Commonwealth	130,104	165,953	-	296,057
Capital assets	17,850,533	25,264,769	10,272,672	53,387,974
Accumulated depreciation	(6,898,876)	(11,279,532)	(4,737,164)	(22,915,572)
Total noncurrent assets	11,081,761	14,221,481	8,459,036	33,762,278
Total assets	\$ 11,493,250	14,629,016	10,662,294	36,784,560
Deferred Outflows of Resources				
Deferred amounts related to pensions	20,414	20,414	115,492	156,320
Liabilities				
Current Liabilities:				
Warrants and accounts payable	\$ 12,866	54,521	330,898	398,285
Accrued expenses	68,307	21,212	61,743	151,262
Bonds payable	228,581	364,300	-	592,881
Total current liabilities	309,754	440,033	392,641	1,142,428
Noncurrent liabilities:				
Other liabilities	-	-	76,425	76,425
Bonds payable	3,341,789	761,100	-	4,102,889
Net pension liability	236,404	236,404	1,673,353	2,146,161
Other post-employment benefits payable	91,091	91,090	147,349	329,530
Total noncurrent liabilities	3,669,284	1,088,594	1,897,127	6,655,005
Total liabilities	3,979,038	1,528,627	2,289,768	7,797,433
Deferred Inflows of Resources				
Deferred amounts related to pensions	19,374	19,374	-	38,748
Rate stabilization and purchased power reserve	-	-	2,637,498	2,637,498
Total deferred inflows	19,374	19,374	2,637,498	2,676,246
Net Position				
Net investment in capital assets	7,580,018	13,025,790	5,535,508	26,141,316
Restricted for depreciation	-	-	1,254,063	1,254,063
Unrestricted	(64,766)	75,639	(939,051)	(928,178)
Total net position	\$ 7,515,252	13,101,429	5,850,520	26,467,201

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

For the Year Ended June 30, 2016

(Except for Electric Enterprise which is for the year ended December 31, 2015)

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 699,036	666,183	4,806,817	6,172,036
Other operating revenues	-	-	141,530	141,530
Total operating revenues	<u>699,036</u>	<u>666,183</u>	<u>4,948,347</u>	<u>6,313,566</u>
Operating expenditures:				
Salaries and wages	169,089	119,720	-	288,809
Energy purchases and power production	-	241,838	3,204,729	3,446,567
Other operating expenses	212,925	112,513	1,232,922	1,558,360
Depreciation	<u>331,640</u>	<u>528,050</u>	<u>299,772</u>	<u>1,159,462</u>
Total operating expenditures	<u>713,654</u>	<u>1,002,121</u>	<u>4,737,423</u>	<u>6,453,198</u>
Operating income	<u>(14,618)</u>	<u>(335,938)</u>	<u>210,924</u>	<u>(139,632)</u>
Nonoperating revenues (expenses):				
Interest expense	(103,302)	(53,096)	(79)	(156,477)
Intergovernmental	27,858	67,298	-	95,156
Other	-	-	-	-
Investment income	<u>-</u>	<u>-</u>	<u>39,096</u>	<u>39,096</u>
Total nonoperating revenues (expenses)	<u>(75,444)</u>	<u>14,202</u>	<u>39,017</u>	<u>(22,225)</u>
Income before transfers	<u>(90,062)</u>	<u>(321,736)</u>	<u>249,941</u>	<u>(161,857)</u>
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>(68,010)</u>	<u>(68,010)</u>
Changes in net position	<u>(90,062)</u>	<u>(321,736)</u>	<u>181,931</u>	<u>(229,867)</u>
Net position, beginning of year, as restated	<u>7,605,314</u>	<u>13,423,165</u>	<u>5,668,589</u>	<u>26,697,068</u>
Net position, end of year	\$ <u><u>7,515,252</u></u>	<u><u>13,101,429</u></u>	<u><u>5,850,520</u></u>	<u><u>26,467,201</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS**Statement of Cash Flows - Proprietary Funds**

For the Year Ended June 30, 2016

(Except for Electric Enterprise which is as of December 31, 2015)

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 673,307	851,623	5,015,027	6,539,957
Cash paid to suppliers	(201,325)	(383,271)	(3,395,217)	(3,979,813)
Cash paid to employees and for benefits	(197,738)	(148,369)	(1,130,846)	(1,476,953)
Payment in lieu of taxes and transfers	-	-	(68,010)	(68,010)
Net cash provided by operating activities	<u>274,244</u>	<u>319,983</u>	<u>420,954</u>	<u>1,015,181</u>
Cash flows from noncapital financing activities:				
Interest expense, net of state subsidy	-	-	(79)	(79)
Net cash provided by capital and related financing activities:	-	-	(79)	(79)
Cash flows from capital and related financing activities:				
Capital expenditures	(294,004)	-	(292,108)	(586,112)
Intergovernmental/other revenue	607,000	22,500	-	629,500
Interest paid, net of subsidy	(53,240)	(8,298)	-	(61,538)
Net borrowing (repayments), net of subsidy	(149,969)	(264,111)	-	(414,080)
Net cash provided by capital and related financing activities:	<u>109,787</u>	<u>(249,909)</u>	<u>(292,108)</u>	<u>(432,230)</u>
Cash flows from investing activities:				
Investment income	-	-	9,362	9,362
Transfer from operations to depreciation	-	-	(244,360)	(244,360)
Net cash provided by capital and related financing activities:	-	-	(234,998)	(234,998)
Net increase in cash and cash equivalents	384,031	70,074	(106,231)	347,874
Cash and cash equivalents, beginning of year	(201,868)	83,441	921,742	803,315
Cash and cash equivalents, end of year	<u>\$ 182,163</u>	<u>153,515</u>	<u>815,511</u>	<u>1,151,189</u>
Reconciliation of operating income to net cash provided				
By operating activities:				
Operating income (loss)	\$ (14,618)	(335,938)	210,924	(139,632)
Depreciation and allowance	331,640	528,050	345,170	1,204,860
Payment in lieu of taxes and transfers	-	-	(68,010)	(68,010)
Rate stabilization reserve	-	-	13,357	13,357
(Increase) decrease in accounts receivable	(25,729)	185,440	(149,636)	10,075
(Increase) decrease in materials and supplies	-	-	(5,644)	(5,644)
(Increase) decrease in prepayments	-	-	(36,326)	(36,326)
(Increase) decrease in purchased power working capital	-	-	(36,000)	(36,000)
Increase (decrease) in accounts payable and accrued expenses	11,599	(28,920)	(75,894)	(93,215)
Increase (decrease) in accrued expenses and meter deposits	-	-	20,396	20,396
Increase (decrease) in other post-employment benefits	32,225	32,224	114,066	178,515
Increase (decrease) in net pension liability and deferrals	(60,873)	(60,873)	35,222	(86,524)
Increase (decrease) in purchased power adjustment	-	-	53,329	53,329
Net cash provided by operating activities	<u>\$ 274,244</u>	<u>319,983</u>	<u>420,954</u>	<u>1,015,181</u>
Supplemental disclosure of cash flow information:				
The following accounts are considered to be cash or cash equivalents for the statement of cash flows:				
Operating cash	182,163	153,515	736,977	1,072,655
Customer deposits	-	-	78,534	78,534
Total	<u>182,163</u>	<u>153,515</u>	<u>815,511</u>	<u>1,151,189</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Position

Fiduciary Funds

June 30, 2016

(Except for Electric OPEB Trust which is as of December 31, 2015)

	General OPEB Trust Fund	Electric OPEB Trust Fund	Agency	Total
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	4,139	204,342	15,762	224,243
Investments	42,343	-	-	42,343
Total assets	46,482	204,342	15,762	266,586
<u>Liabilities</u>				
Current Liabilities:				
Other Liabilities	\$ -	-	15,762	15,762
Total liabilities	-	-	15,762	15,762
<u>Net Position</u>				
Held in trust for retiree insurance benefits	46,482	204,342	-	250,824
Total net position	\$ 46,482	204,342	-	250,824

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Changes in Fund Net Position

Fiduciary Funds

For the Year Ended June 30, 2016

(Except for Electric OPEB Trust which is for the year ended December 31, 2015)

	General OPEB Trust Fund	Electric OPEB Trust Fund	Total
Additions			
Contributions:			
Employer	\$ -	-	-
Total contributions	-	-	-
Investment income:			
Net appreciation in fair value of investments	1,482	(2,352)	(870)
Interest	-	-	-
Total investment income	1,482	(2,352)	(870)
Total additions	1,482	(2,352)	(870)
Deductions			
Benefits	-	-	-
Total deductions	-	-	-
Change in net position held in trust for retiree insurance benefits	1,482	(2,352)	(870)
Net position - beginning of year	45,000	206,694	251,694
Net position - end of year	\$ 46,482	204,342	250,824

The notes to the financial statements are an integral part of this statement.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 1. Reporting Entity and Significant Accounting Policies

A. Introduction

The Town of Ashburnham was incorporated as a town in 1765 under the statutes of the Commonwealth of Massachusetts. The Town operates with a selectmen-open Town meeting form of government and an elected three-member Board of Selectmen. The Town provides general municipal services including public safety, education, public works, health, culture and recreation. Water, sewer and electric services are provided on an enterprise basis. The Town's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is the standard setting body for governmental accounting and financial reporting.

B. Financial Reporting Entity

GAAP require that the accompanying financial statements present the Town (primary government) and its component units. Component units are included in the Town's reporting entity if their operational and financial relationships with the Town are significant. In determining the financial reporting entity, the Town considered all potential component units and found that none exist.

Joint Ventures:

The Town is a participant in Ashburnham-Westminster Regional School District. The District was created to provide education to students from Ashburnham and Westminster in grades kindergarten through twelve and is governed by a School Committees composed of member Towns. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal 2016 was \$6,552,760, representing approximately 46.95% of the District's operating budget. A copy of the District's financial statement is available from the Superintendent, 11 Oakmont Drive, Ashburnham, MA 01430.

The Town is a participant in the Montachusett Regional Vocational School District. The District was created to provide vocational technical education to students in Ashburnham and other communities and is governed by a School Committees composed of member Towns. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal year 2016 was \$462,389, which represents approximately 5.00% of the School's operating budget. A copy of the District's financial statement is available from the Superintendent, 1050 Westminster Street, Fitchburg, MA 01420.

C. Financial Statement Presentation

The financial condition and results of operations of the Town's funds are presented as of and for the year ended June 30, 2016 (except for the Electric Enterprise Fund which is as of and for the year ended December 31, 2015). The accounting policies of the Town conform to GAAP.

D. Government-wide and Fund Financial Statements

The Town's basic financial statements include both government-wide and fund financial statements. The government-wide financial statements report information on all the non-fiduciary activities of the Town. For the most part, the effect of interfund activities has been removed from these statements.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2016

Note 1. Reporting Entity and Significant Accounting Policies (continued)

D. Government-wide and Fund Financial Statements (continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely mostly on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or others who purchase, use or directly benefit from goods services, or privileges provided by a certain function and 2) grants and contributions restricted to meeting the operational or capital requirements of a function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. GAAP requires that major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town's general, school capital project, water, sewer and electric funds are reported as major funds. The Town reports the following fund financial statements:

Governmental Funds

General Fund - This fund is the Town's primary operating fund. This accounts for all financial resources of the general government, except those accounted for in other funds.

Other Governmental Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Water Enterprise Fund - This fund is used to account for the Town's water operations.

Sewer Enterprise Fund - This fund is used to account for the Town's sewer operations.

Electric Enterprise Fund - This fund is used to account for the Town's electric operations.

Fiduciary Funds

Agency Funds - These funds are used to report resources held by the Town in a purely custodial capacity (assets equal liabilities).

OPEB Trust Fund - This fund is used to record assets set aside for future use related to the Town's Other Post-Employment Benefits (OPEB) liability.

E. Measurement Focus and Basis of Accounting

The government-wide, propriety, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and propriety fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Town considers revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes and interest associated with

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 1. Reporting Entity and Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting (continued)

the current fiscal year are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

a. Deposits and Investments

State statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. The Town, with certain restrictions, can also purchase obligations of United States Government or its agencies, repurchase agreements, money market funds and units of the Massachusetts Municipal Depository Trust (MMDT), an investment pool established by the State Treasurer.

In addition, certain other governmental funds have other investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

The Town pools cash to facilitate the management of cash. Each fund presents its pro rata share of the combined cash account as cash and cash equivalents in the accompanying basic financial statements. The Town has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agent and deposits with the MMDT. Investments are reported at fair value.

b. Property Taxes

The Town is responsible for assessing and collecting property taxes in accordance with enabling state laws. Property taxes are determined, each year, on the full and fair cash value of taxable properties as of January 1st. The tax levy is divided into two billings and is payable on a semiannual basis. The first billing is an estimate of the current year's levy based on the prior year's taxes and is due on November 1st. The second billing reflects adjustments to the current year's actual levy and is due on May 1st. Taxes due and unpaid after the due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivable in the fiscal year billed.

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2 1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2 %, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a Town-wide referendum vote.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

c. Inventories

The costs of inventories are not material and the purchase method is used in all funds except for the electric enterprise fund. The electric enterprise fund uses the average cost method of recording inventory for materials and supplies.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2002 consist of the roadways and curbing assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of three years. Such assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30	Vehicles and equipment	3 - 10
Buildings	40	Infrastructure	30 - 100
Building improvements	7 - 20		

The electric enterprise fund, as allowed under the general laws of Massachusetts, depreciates all plant at a fixed rate of 3%.

e. Compensated Absences and Employee Benefits

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and certain sick leave absences. In the government-wide and proprietary fund financial statements, this liability is recognized when the associated benefit has been earned. For sick leave benefits, a liability is recognized when the sick leave benefit (primarily sick leave buy back benefits) is fully vested.

f. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the entity wide and governmental fund statements may present deferred outflow and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will be recognized as an outflow (expense/expenditure) at that time. Deferred inflows of resources represent acquisition of net position that applies to a future period and will be recognized as an inflow (revenue) at that time. In the entity wide and proprietary fund statements, the Town has recorded certain amounts related to the net pension liability as deferred outflows of resources. In the government fund statements, the Town has recorded unavailable revenue as deferred inflows of resources since the related revenue is not available until a future period.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

g. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are (if material) deferred and amortized over the life of the bonds. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

h. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

i. Other Post-Employment Benefits

In additions to pensions, the Town provides health and life insurance benefits for current and future retirees and their spouses.

j. Fund Balances - Governmental Funds

In the governmental fund financial statements, fund balance is divided into five categories - nonspendable, restricted, committed, assigned and unassigned. Presented below is a discussion of each GASB 54 fund balance classification.

Nonspendable - Amounts that cannot be spent because they are either not in spendable form or must be kept intact for legal or contractual reasons. This category is utilized mainly for permanent fund principal and also includes (if applicable) prepaid expenses, inventory and long term portion of loans receivable (unless the purpose is restricted, committed or assigned).

Restricted - Amounts constrained to specific purpose by external parties, enabling legislation and constitutional provision. Enabling legislation means the government is authorized to collect revenue and other parties (citizens, courts) can compel the government to spend the funds only on the authorized purpose.

Committed - Amounts constrained to specific purpose by the highest level of decision making authority (Town Meeting) and can be changed only by the same action.

Assigned - Amounts intended for a specific purpose by the Selectmen, Town Committee or Town management but do not meet the criteria to be classified as restricted or committed.

Unassigned - The residual classification of the Town's general fund only (and residual deficits in other governmental funds).

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

j. Fund Balances - Governmental Funds (continued)

Committed fund balance is created from Town Meeting action and must be uncommitted by similar action. Unassigned fund balance in the general fund includes \$393,315 in stabilization fund balance and \$439,996 in capital improvement fund balance. Stabilization and capital improvement funds are obtained by Town Meeting authorization and are almost exclusively generated from transfers from the general fund budget. These funds are set aside for extraordinary or unforeseen purposes, must be approved by Town Meeting and can be utilized for any lawful purpose. Assigned fund balance is created primarily from authorized actions of the Board of Selectmen or Town management. Assigned fund balance includes general fund encumbrances and article carry forwards of \$211,447 and accepted gifts and donations of \$133,906.

The Town's policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year via adjusting journal entries. Non-general funds may have negative unassigned fund balances when non-spendable amounts plus restricted, committed and assigned fund balances exceed the total positive fund balance in a fund. The negative unassigned fund balance in nonmajor governmental funds is due to timing issues related to capital projects interim vs. permanent borrowing. The Town's fund balance policy sets a reserve goal at 10% of general fund operating expenditures. Reserves are defined as general fund unassigned fund balance plus general fund committed (stabilization) fund balance.

k. Net position

Net position appears in the Town's proprietary (enterprise) funds and the entity wide financial statements. Net position is the difference between: 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets less accumulated depreciation and outstanding debt (net of related debt subsidies from the state). Restricted net position consists of net position with constraints placed on the use either by grantors, creditors, contributors or laws and regulations of other governments or by constitutional provisions or enabling legislation.

l. Use of Estimates

In preparing the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Budgetary Information

Under the Town's by-laws, budget requests are prepared by Town departments and submitted to the Selectmen and Finance Committee for review. The Selectmen and the Finance Committee have until May, when the Town meeting is held, to make their recommendations regarding department requests.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 2. Budgetary Information (continued)

After approval of the budget at the annual Town meeting, the tax recapitulation sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval. This process should generally be completed by November so the actual tax bills can be mailed by January 1, due and payable by the taxpayer on February 1. The Town must establish its tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures, state and county assessments, and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenues and transfers projected to be received by the Town, including available funds.

The final Town budget as presented in the Budgetary Comparison Schedule - General Fund was developed as follows:

Expenditures and transfers out	<u>\$15,556,848</u>
To be funded as follows:	
Budgeted revenue	\$15,269,134
Transfers from other funds	102,373
Allocation of surplus	<u>185,341</u>
Total funding (resources)	<u>\$15,556,848</u>

The Town's General Fund budget is prepared on a basis other than GAAP. The "actual" results column of the Budgetary Comparison Schedule - General Fund is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences are:

- a. Property tax revenues are recorded when the cash is received as opposed to when susceptible to accrual (GAAP);
- b. Encumbrances and continuing appropriations are recorded as expenditures (budgetary) as opposed to a reservation of fund balance (GAAP);
- c. On behalf payment for state teacher's retirement system and bond premiums are recognized for GAAP only; and
- d. Stabilization and capital improvement funds are not part of the general fund budget.

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the general fund for the year ended June 30, 2016:

Net changes in fund balances – budgetary basis	\$342,095
Adjustments:	
Record Revenues on a Modified Accrual Basis	\$15,153
On Behalf Payments, Net (Gross of \$6,230)	-
Stabilization Fund Interest and Transfers	\$32,326
Adjustment for Encumbrances and Continuing Articles	<u>\$136,276</u>
Net changes in fund balances - GAAP Basis	<u>\$525,850</u>

Within the adopted budget a sum is allocated to provide funding for extraordinary or unforeseen expenditures. The Finance Committee can authorize transfers from this reserve fund. Any other modifications to the budget would require action by Town Meeting.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 3. Deposits and Investments

Cash Deposits

Custodial risk on cash deposits is the risk that in the event of a depository failure, the Town will not be able to recover the value of its deposits or collateral securities in the possession of the depository. The Town's attempts to limit custodial risk by placing funds in a variety of financial institutions and maximizing amounts insured or collateralized. At June 30, 2016, the Town's carrying amount of deposits was \$3,226,790 and the bank balance was \$3,293,340. Of the bank balances, \$3,142,861 was covered by Federal Deposit Insurance Corporation or other state insurance. The remaining amount of \$150,479 was collateralized. The difference between these amounts and the amounts in the financial statements is due solely to the presentation of the electric enterprise fund as of December 31, 2015. The electric enterprise fund cash and investments include amounts classified on the proprietary fund balance sheet as depreciation fund, customer deposits and stabilization fund.

Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that disclosures related to these investments only need to be disaggregated by major type. The Town chooses a narrative format for the fair value disclosures.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs use to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2016, all Town investments are categorized as Level 1.

At June 30, 2016, the Town's investment balances were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
US government and agency securities	\$1,048,516
Other fixed income securities	1,178,066
Equity securities	476,644
Mutual funds	364,257
Pooled Investments: Money market funds	288,408
External Investment Pool: MMDT/MMWEC	1,603,553
Total investments	<u>\$4,959,443</u>

The difference between these amounts and the amounts in the financial statements is due solely to the presentation of the electric enterprise fund as of December 31, 2015.

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have an investment policy covering custodial credit risk.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 3. Deposits and Investments (continued)

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy covering interest rate risk. The US government and agency securities investments have the following maturities: \$1,048,516 between three and five years. The other fixed income securities have maturities of \$240,821 less than one year, \$392,208 between one and two years, and \$545,037 between three and five years.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The US government and agency securities investments are rated AAA by Moody's Investor Services and AA+ by Standard and Poor's and are not considered to have credit risk. The other fixed income securities investments are rated B to A by Moody's Investor Services and BBB to AA by Standard and Poor's. MMDT, equities securities and money market funds are not rated as to credit risk. The Town does not have an investment policy which would limit its investment choices as to credit risk.

Concentration of credit risk – The Town does not have an investment policy which limits the amount that can be invested in any one issuer or security. Excluding US federal agency securities, and external investment pools, there are no securities or issuers which represent more than 5% of the total investments of the governmental funds or governmental activities.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2016 (electric enterprise fund as of December 31, 2015) was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	3,423,578	-	-	3,423,578
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>3,423,578</u>	-	-	<u>3,423,578</u>
Capital assets being depreciated:				
Buildings and improvements	40,772,235	-	-	40,772,235
Equipment	9,236,237	284,551	147,108	9,373,680
Infrastructure	5,972,944	598,001	-	6,570,945
Total capital assets being depreciated	<u>55,981,416</u>	<u>882,552</u>	<u>147,108</u>	<u>56,716,860</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,118,974)	(1,212,686)	-	(9,331,660)
Equipment	(4,273,592)	(600,238)	(141,190)	(4,732,640)
Infrastructure	(2,439,126)	(267,454)	-	(2,706,580)
Total accumulated depreciation	<u>(14,831,692)</u>	<u>(2,080,378)</u>	<u>(141,190)</u>	<u>(16,770,880)</u>
Capital assets being depreciated, net	<u>41,149,724</u>	<u>(1,197,826)</u>	<u>5,918</u>	<u>39,945,980</u>
Total governmental activities capital assets, net	<u>44,573,302</u>	<u>(1,197,826)</u>	<u>5,918</u>	<u>43,369,558</u>

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 4. Capital Assets (continued)

Depreciation expense was charged to functions as follows:

	<u>Governmental Activities</u>
General government	\$160,586
Public safety	475,568
Education	979,902
Public works	429,812
Human services	33,707
Recreation and culture	803
Total governmental activities depreciation expense	<u>\$2,080,378</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and land improvements	\$317,063	-	-	317,063
Construction in progress	<u>1,665,549</u>	<u>294,004</u>	-	<u>1,959,553</u>
Total capital assets not being depreciated	<u>1,982,612</u>	<u>294,004</u>	-	<u>2,276,616</u>
Capital assets being depreciated:				
Electric distribution and generation plant	6,469,339	283,723	19,426	6,733,636
Electric general plant	3,696,524	8,385	173,451	3,531,458
Buildings and improvements	9,084,274	-	-	9,084,274
Equipment	445,270	-	-	445,270
Infrastructure	<u>31,316,720</u>	-	-	<u>31,316,720</u>
Total capital assets being depreciated	<u>51,012,127</u>	<u>292,108</u>	<u>192,877</u>	<u>51,111,358</u>
Less accumulated depreciation for:				
Electric distribution and generation plant	(3,267,958)	(194,079)	(19,426)	(3,442,611)
Electric general plant	(1,362,311)	(105,693)	(173,451)	(1,294,553)
Buildings and improvements	(4,438,417)	(226,008)	-	(4,664,425)
Equipment	(355,777)	(40,395)	-	(396,172)
Infrastructure	<u>(12,524,524)</u>	<u>(593,287)</u>	-	<u>(13,117,811)</u>
Total accumulated depreciation	<u>(21,948,987)</u>	<u>(1,159,462)</u>	<u>(192,877)</u>	<u>(22,915,572)</u>
Capital assets being depreciated, net	<u>29,063,140</u>	<u>(867,354)</u>	-	<u>28,195,786</u>
Total governmental activities capital assets, net	<u>\$31,045,752</u>	<u>(573,350)</u>	-	<u>30,472,402</u>

Depreciation expense was charged to functions as follows:

	<u>Business-type Activities</u>
Water	\$ 331,640
Sewer	528,050
Electric	<u>299,772</u>
Total business-type activities depreciation expense	<u>\$1,159,462</u>

Note 5. Short-term Debt

Subject to state laws, the Town is authorized to issue general obligation debt on a temporary basis. The following classes of short-term loans can be issued:

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 5. Short-term Debt (continued)

Tax anticipation notes (TANs) - This debt is issued to provide funding for operations during lean periods in a fiscal cycle. They are repaid from subsequent collections of taxes or other revenues.
Bond anticipation notes (BANs) - This debt is issued to provide initial funding for capital projects. They are redeemed from the proceeds from the sale of the bonds.
Grant anticipation notes (GANs) - This debt is issued to provide funding for projects in anticipation of reimbursement from federal or state grants. They are repaid from subsequent distributions from the federal or state agency.

Short-term debt activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Revenue Anticipation note	\$ -	1,500,000	1,500,000	-
Bond anticipation notes:				
School capital project	=	=	=	=
	<u>\$ -</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>=</u>
Business-type activities:				
Bond anticipation notes:				
Water line project	<u>\$1,418,000</u>	=	<u>1,418,000</u>	=
	<u>\$1,418,000</u>	=	<u>1,418,000</u>	<u>=</u>

Note 6. Long-term Obligations

The following is a summary of the changes in the Town's long-term obligation for the year ended June 30, 2016 (beginning balances for net pension liability adjusted for prior period restatement and business-type activities includes light enterprise fund as of December 31, 2015):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	256,271	65,726	-	321,997	163,087
Unamortized bond premium	841,774	-	41,141	800,633	46,481
Other post-employment benefits	1,044,825	574,249	-	1,619,074	-
Net pension liability	5,973,847	584,488	-	6,558,345	-
Bonds payable	<u>18,876,860</u>	=	<u>1,190,696</u>	<u>17,686,164</u>	<u>1,783,577</u>
	<u>26,993,577</u>	<u>1,224,463</u>	<u>1,231,837</u>	<u>26,986,203</u>	<u>1,993,154</u>
Business-type activities:					
Other post-employment benefits	151,015	178,515	-	329,530	-
Net pension liability	592,830	1,553,331	-	2,146,161	-
Bonds payable	<u>3,827,744</u>	<u>1,418,000</u>	<u>549,974</u>	<u>4,695,770</u>	<u>592,881</u>
	<u>4,571,589</u>	<u>3,149,846</u>	<u>549,974</u>	<u>7,171,461</u>	<u>592,881</u>

Note 7. Bonds Payable

The Town's indebtedness consists of general obligation serial notes issued for funding various special projects. All bond issues must be approved by Town meeting. The outstanding governmental activities bonds are presented below.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 7. Bonds Payable (continued)

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at July 1, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2016</u>
Town Hall/Public Safety	07/01/26	3.5%-5.0%	\$5,655,000	-	475,000	5,180,000
School Construction	01/15/34	2.0%-5.0%	13,015,000	-	690,000	12,325,000
Title V	02/01/19	0%	48,620	-	9,724	38,896
Title V	08/01/22	0%	80,240	-	9,972	70,268
Title V	07/15/27	0%	78,000	-	6,000	72,000
Totals			<u>\$18,876,860</u>	=	<u>1,190,696</u>	<u>17,686,164</u>

The outstanding business-type activities bonds are presented below.

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at July 1, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2016</u>
Sewer	08/01/18	4.0%-5.125%	\$1,479,000	-	353,600	1,125,400
Water	08/01/19	4.1%-5.75%	843,890	-	157,947	685,943
Water	08/01/19	3.0%-5.25%	95,000	-	15,000	80,000
Water	08/30/50	2.75%	1,409,854	-	23,427	1,386,427
Water	08/30/53	2.75%	=	<u>1,418,000</u>	=	<u>1,418,000</u>
Totals			<u>\$3,827,744</u>	<u>1,418,000</u>	<u>549,974</u>	<u>4,695,770</u>

The annual debt service requirements of the Town's outstanding indebtedness at June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities Principal</u>	<u>Governmental Activities Interest</u>	<u>Business-type Activities Principal</u>	<u>Business-type Activities Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2017	\$1,190,696	757,584	592,881	152,495	1,783,577	910,079
2018	1,190,696	698,276	609,595	116,731	1,800,291	815,007
2019	1,185,696	641,344	630,799	97,053	1,816,495	738,397
2020	1,185,696	587,049	250,625	76,482	1,436,321	663,531
2021	1,175,972	532,439	51,462	70,169	1,227,434	602,608
2022 – 2026	5,850,408	1,842,973	278,834	329,321	6,129,242	2,172,294
2027 – 2031	3,867,000	816,150	318,416	289,739	4,185,416	1,105,889
2032 – 2036	2,040,000	163,200	363,620	244,535	2,403,620	407,735
2037 – 2041	-	-	415,244	192,911	415,244	192,911
2042 – 2046	-	-	474,203	133,952	474,203	133,952
2047 – 2051	-	-	541,263	66,617	541,263	66,617
2052 - 2054	=	=	<u>168,828</u>	<u>8,926</u>	<u>168,828</u>	<u>8,926</u>
Totals	<u>\$17,686,164</u>	<u>6,039,015</u>	<u>4,695,770</u>	<u>1,778,931</u>	<u>22,381,934</u>	<u>7,817,946</u>

Of the total business-type activities debt service requirements of \$6,474,701, the Town is scheduled to receive \$498,377 as reimbursement from the Commonwealth of Massachusetts Water Pollution Abatement Trust. The amount of this reimbursement that is related to debt principal (\$296,057) has been recorded as an intergovernmental receivable in the financial statements. The Town is also

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 7. Bonds Payable (continued)

scheduled to receive \$16,743 from the Commonwealth as a subsidy on future interest payments on governmental activities debt.

The Town is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Oversight Board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations. As of June 30, 2016, the Town may issue approximately \$11,596,111 of additional general obligation debt under the normal debt limit. The Town has \$4,877,091 of issued debt exempt from the debt limit. At June 30, 2016, the Town has \$779,144 of authorized and unissued debt for school and water projects.

In addition to the Town's outstanding debt, the Town is assessed its share of debt from other governmental entities (known as overlapping debt). For the Ashburnham-Westminster Regional School District, the Town's share of the Regional School's \$5,685,000 debt at June 30, 2016 (based on current assessment percentages) is 31.72% or \$1,803,282. For the Montachusett Regional Vocational School District, the Town's share of the Regional School's \$4,345,000 debt at June 30, 2016 (based on current assessment percentages) is 4.28% or \$185,966.

Note 8. Governmental Fund Balances

The detailed breakdown of fund balances for the Town's governmental funds appears below.

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable:			
Permanent fund principal	\$ -	349,335	349,335
Restricted:			
Bond premium	800,633	-	800,633
Title V septic	-	77,449	77,449
Permanent fund spendable	-	499,132	499,132
Other purposes - special revenue	-	190,000	190,000
Other purposes - capital projects	-	4,326	4,326
Assigned:			
Gifts and donations	-	133,906	133,906
General fund encumbrances	211,453	-	211,453
Unassigned:			
Stabilization fund	393,315	-	393,315
Capital improvements fund	439,996	-	439,996
General fund residual balance	<u>625,575</u>	<u>-</u>	<u>625,575</u>
Total governmental fund balances	<u>\$2,470,972</u>	<u>1,254,148</u>	<u>3,725,120</u>

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 9. Inter-fund Activity

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. For the year ended June 30, 2016, the general fund transferred \$10,110 to the special revenue fund to cover a deficit. The general fund received \$71,131 from the electric enterprise fund to offset indirect costs. The general fund also received \$1,447 from permanent funds and from special revenue funds received \$25,873 from the Title V fund, \$2,338 from the waterways fund, and \$169,977 from the public safety debt fund to offset budget line items and close out old balances. The net transfer balance in the financial statements is due solely to the presentation of the electric enterprise fund as of December 31, 2015.

Note 10. Pension Plans

Worcester Regional Retirement System:

Plan Description: Town employees are provided with pensions through the Worcester Regional Retirement System, a cost sharing, multiple employer defined benefit plans administered by the Worcester Regional Retirement Board and regulated by the Massachusetts Public Employee Retirement Administration Commission (PERAC). Chapter 32 of the Massachusetts General Laws (MGL) grants the authority to establish and amend benefit terms. The System issues an annual public report that can be obtained at worcesterregionalretirement.org.

Benefits Terms: Membership in the System is mandatory for all full-time employees and non-seasonal employees who, in general, regularly work more than twenty hours per week.

The System provides retirement, disability and death benefits. Retirement benefits are determined as follows. For employees hired prior to April 2, 2012, it is 2.5% of the employee's final three-year average compensation multiplied by the employee's years of service (a percentage lower than 2.5% is used if the employee retires prior to full retirement age which is normally 65). For employees hired on or after April 2, 2012, it is 2.5% of the employee's final five-year average compensation multiplied by the employee's years of service (a percentage lower than 2.5% is used if the employee retires prior to full retirement age which is normally 67). Employees may elect early retirement after 20 years of service or at any time after attaining age 55 (age 60 if hired on or after April 2, 2012) with 10 years eligible service.

System members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. Disability benefits are based on a number of factors, including the member's age, compensation, veteran status, years of service and whether or not the disability is work related. In addition, certain death benefits exist for beneficiaries who die in active service.

Cost of living adjustments (COLAs) granted between 1981 and 1997 are the responsibility of the Commonwealth. Beginning in 1998, funding COLAs became the responsibility of the System.

Contributions: Chapter 32 of MGL governs the contributions of plan members and member employers. Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; 8% of the first \$30,000 and 10% thereafter if first employed on or after January 1, 1984; and 9% of the first \$30,000 and 11% thereafter if first employed on or after January 1, 1998. The Town's contribution reflects its share of

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 10. Pension Plans (continued)

the system-wide actuarial determined contribution, in accordance with Chapter 32 Section 22D of MGL, apportioned among all System employers based on an annual employer normal cost and amortization payments to pay the unfunded net pension liability in full by fiscal year 2035. Contributions to the System by the Town for the year ended June 30, 2016 were \$560,104.

Return of Contributions: Employee contributions may be returned to the participants upon leaving Town employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

[Note: the difference between the amounts discussed below and the amounts in the financial statements is due solely to the presentation of the electric enterprise fund as of December 31, 2015.]

At June 30, 2016, the Town has a liability of \$8,837,535 for its proportionate share of the net pension liability. The net pension liability was measured at December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to December 31, 2015. There were no material changes made in this update to the actuarial assumptions or to the retirement terms since the last actuarial valuation. The Town's proportion of the net pension liability was based on a projection of the Town's long term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportion was 1.245062%.

For the year ended June 30, 2016, the Town recognized pension expense of \$1,083,965. At June 30, 2016, the Town reported the following deferrals related to pensions: 1) deferred outflows of \$436,398 for the net difference between projected and actual investment earnings, 2) deferred outflows of \$326,751 for changes in assumptions and 3) deferred inflows of \$724,255 for changes in employer proportion. Total net deferred outflows and inflows of \$38,894 (net outflows) will be recognized in pension expense as follows:

Fiscal year ended June 30:	
2017	\$29,910
2018	\$29,910
2019	\$29,910
2020	\$28,664
2021	<u>(\$79,500)</u>
Total	<u>\$38,894</u>

Actuarial Assumptions: The total pension liability in the January 1, 2014 actuarial valuation as updated to the December 31, 2015 measurement was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	3 percent, including longevity
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 10. Pension Plans (continued)

Mortality rates were based on the RP-2000 Mortality Table projected to 2014 with Scale AA. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table set forward two years. The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2013.

The long-term rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	40%	8.02%
Fixed Income	23%	5.09%
Private Equity	10%	9.50%
Real Estate	10%	6.50%
Timber/Natural Resources	4%	7.07%
Hedge Funds	9%	6.5%
Other	4%	6.18%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employee contributions will be made in accordance with Sections 22D and 22F of Chapter 32 of MGL. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability of the System calculated using the discount rate of 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$10,640,520	\$8,837,537	\$7,306,595

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in a separately available audited financial statement available at worcesterregionalretirement.org. The System's fiduciary net position was determined using the accrual basis of accounting.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 11. Other Post-Employment Benefits (OPEB)

The Town implemented GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, for the 2014 financial statements (this was a new benefit adopted by the Town for 2014). As allowed by GASB 45, the Town established the net OPEB obligation at zero for the beginning of fiscal year 2014 and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

Plan Description - The Town provides health and life insurance coverage for its retirees and their survivors as a single-employer defined benefit Other Post-Employment Benefits Plan (the Plan). The plan was established in accordance with Massachusetts General Law Chapter 32B, to employees who retire in accordance with various predetermined years of service and under various age requirements.

Changes to plan design and contribution rates must be negotiated through the collective bargaining process.

As of July 1, 2013 (the most recent valuation date), the number of Plan participants is as follows:

Active employees	54
Retirees and beneficiaries	<u>0</u>
Total	<u>54</u>

Funding Policy - Contribution requirements are negotiated as part of the collective bargaining process. As of July 1, 2013, the most recent valuation date, members receiving these benefits are required to contribute 50% of the cost of the plans. The cost of administering the plan is paid for by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the actual contribution to the plan and changes to the Town's net OPEB obligation is presented in the following table.

Annual required contribution	826,333
Interest on net OPEB obligation	57,634
Adjustment to annual required contribution	<u>(83,334)</u>
Annual OPEB cost	800,633
Employer contributions	(70,098)
Additional employer contributions	=
Increase (decrease) in net OPEB obligation	730,535
Net OPEB obligation - beginning of year	<u>1,218,069</u>
Net OPEB obligation - end of year	<u>\$1,948,604</u>

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 11. Other Post-Employment Benefits (OPEB) (continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$800,633	9%	\$1,948,604
6/30/2015	\$761,245	36%	\$1,218,069
6/30/2014	\$723,455	2%	\$709,305

Funding Status and Funding Progress - The funded status of the plan at July 1, 2013, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage Of Covered Payroll ((B-A)/C)</u>
7/1/2013	\$0	\$5,830,758	\$5,830,758	0.0%	Not Available	N/A

The actuarial valuation of an ongoing plan involves estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funding status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following additional information is provided as of the latest actuarial valuation:

- Valuation date July 1, 2013
- Actuarial cost method Projected Unit Credit
- Amortization method 30 years, level dollar
- Remaining amortization period 27 years, as of June 30, 2016
- Interest discount rate 4.0%
- Medical cost trend 9% trending down to 5% in 2018

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 12. Commitments - MMWEC

This footnote relates to the electric light enterprise fund and is as of December 31, 2015.

The Electric Light Department (Department) is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC). MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other Utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make payment when due, other Projects Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of Project Capability to an additional amount not to exceed 25% of their original Participants' share of Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable from, and secured solely by, the revenues derived from the Project to which such issue relates plus available funds pledged under the Amended and Restated General Bond Resolution with respect to the bonds of that project. The MMWEC revenues derived from each Project is used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, owned and operated by subsidiaries of FPL Energy Wyman IV, LLC, an indirect subsidiary of NextEra Energy Resources, LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (DNCI) the majority owner and indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for Unit 3 extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook Resources, LLC, the majority owner and indirect subsidiary of NextEra Energy Resources, LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has stated its intention to request an extension of the Seabrook Station operating license for an additional twenty years.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. The Project Participants are also liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. Originally enacted in 1957, the Act has been renewed several times. In July,

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2016

Note 12. Commitments - MMWEC (continued)

2005, as part of the Energy Policy Act of 2005, Congress extended the Price-Anderson Act through the end of 2025.

The Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions, the outcome of which, in the opinion of MMWEC management, will not have a material effect on the financial position of MMWEC.

Total capital expenditures for MMWEC's projects amounted to \$1,626,959,000, of which \$10,094,000 represents the amount associated with the Department's Project Capability of the projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds \$112,510,000, of which \$659,000 is associated with the Department's share of Project Capability of the projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2015, MMWEC's total future debt service requirement on outstanding bonds issued for Projects is \$121,353,000, of which \$712,000 is anticipated to be billed to the Department in future years.

The estimated aggregate amount of the Department's required payments under the PSAs and PPAs, exclusive of Reserve and Contingency Fund billings, to MMWEC at December 31, 2015 and estimated for future years is shown below.

For years ended December 31,	2016	\$ 356,000
	2017	\$ 284,000
	2018	\$ 23,000
	2019	\$ 49,000
	Total	\$ 712,000

In addition, the Department is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which they participate. The Department's total O&M costs including debt service under the PSAs were \$1,056,000 and \$1,054,000 for the years ended December 31, 2015 and 2014, respectively.

Note 13. Commitments – Berkshire Wind

This footnote relates to the electric light enterprise fund and is as of December 31, 2015.

The Department is a Member of the Berkshire Wind Cooperative (Cooperative). The Cooperative is organized under Chapters 157 and 164: Section 47C of the Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 14 Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 13. Commitments – Berkshire Wind (continued)

The Cooperative has constructed and installed 10 1.5-megawatt wind turbines at the Berkshire Wind Facility. The cooperative provides energy pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its *pro rata* share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility, plus 10% of the debt service to be paid into a Reserve and Contingency Fund. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount.

The Cooperative has issued revenue bonds, which are payable solely from, and secured solely by, the revenues derived from the Berkshire Wind Facility. The revenues are used solely to provide for the payment of any bond issue relating to the Berkshire Wind Facility and to pay the Cooperative's cost of owning and operating the Berkshire Wind Facility.

The Ashburnham Municipal Light Department has entered into a PPA with the Berkshire Wind Cooperative Corporation. Under both the PPA, the Department is required to make certain payments to the Cooperative. Under the PPA, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility. In addition, under the PPA, the Department is required to pay to the Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility.

As of December 31, 2015, total capital expenditures for the Berkshire Wind Facility amounted to \$59,081,577, of which \$2,702,000, represents the amount associated with the Department's share of the Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Department. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$55,420,000, of which \$2,534,000 is associated with the Department's share of Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Department.

As of December 31, 2015, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$80,988, of which \$3,704,000 is anticipated to be billed to the Department in the future. The estimated aggregate amount of the Ashburnham Municipal Light Department required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2015 and estimated for future years is shown below.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 13. Commitments – Berkshire Wind (continued)

For years ended December 31,	2016	\$ 247,000
	2017	\$ 247,000
	2018	\$ 247,000
	2019	\$ 247,000
	2020	\$ 247,000
	2021 to 2025	\$ 1,234,000
	2026 to 2030	\$ 1,235,000
	TOTAL	\$ 3,704,000

Note 14. Risk Management

Lawsuits may be pending or threatened against the Town, which arise from the ordinary course of operations, including actions commenced and claims asserted against it for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Town estimates that potential claims against the Town, not covered by insurance, resulting from such litigation, would not materially affect the financial statements.

The Town receives some financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and may be subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Town, although the Town expects that these amounts, if any, would be immaterial to the financial statements.

To pool risk for general and officers' liability, the Electric Light Department participates (along with 17 other Light Departments) in the Massachusetts Municipal Self Insurance Trust (the Trust). By participating in the Trust, the Department is insured for \$500,000 per incident (including a \$50,000 deductible). Environmental insurance coverage provides for \$1,500,000 per incident (including a \$100,000 deductible). Participating Light Departments contribute to the Trust based on the pro rata share of total Department kilowatt hour sales. Payments for claims under the deductible limit are paid by the Trust through Trust assets and (if needed) additional participant contributions.

Note 15. Restatement of Beginning Fund Balances

In 2015, the Town implemented GASB Statement #68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement #71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Beginning net position for governmental activities was restated for the June 30, 2015 statements. As the electric enterprise fund is presented as of its previous fiscal year ended December 31, 2015, the aforementioned GASB statements were not implemented for the Light Department until this year's statements and, as a result, electric enterprise fund and business-type activities beginning net position were restated this year by \$1,578,203.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2016

Note 16. Implementation of new GASB Statements

During fiscal year 2016, the Town implemented the following GASB pronouncements:

- GASB Statement #72 – *Fair Value and Measurement*. This statement did not have any significant impact on the Town's financial statements.
- GASB Statement #73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement did not have any significant impact on the Town's financial statements.
- GASB Statement #76 – *The Hierarchy of GAAP for State and Local Governments*, which was required to be implemented in fiscal year 2016. This statement did not have any significant impact on the Town's financial statements.

In future fiscal years, the Town will implement the following GASB pronouncements:

- GASB Statement #74 – *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans*, which is required to be implemented in fiscal year 2017. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #75 – *Accounting and Financial Reporting for Postemployment Benefits Plans Other than Pensions*, which is required to be implemented in fiscal year 2018. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #77 – *Tax Abatement Disclosures*, which is required to be implemented in fiscal year 2017. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #78 – *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in fiscal year 2017. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #80 – *Blending Requirements for Certain Component Units – AN amendment of GASB Statement No. 14*, which is required to be implemented in fiscal year 2017. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #81 – *Irrevocable Split-Interest Agreements*, which is required to be implemented in fiscal year 2017. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #82 – *Pensions Issues – An Amendment of GASB Statement Nos. 67, 68 and 73*, which is required to be implemented in fiscal year 2017. The Town is currently evaluating the possible impact of this will have on its financial statements.

Town of Ashburnham, Massachusetts
Required Supplementary Information
Fiscal Year Ended June 30, 2016

Town of Ashburnham's Proportionate Share of Net Pension Liability - Worcester Regional Retirement System

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	<u>1.245062%</u>	<u>1.391398%</u>
Town's proportionate share of the net pension liability	<u>\$8,837,535</u>	<u>\$8,279,760</u>
Town's covered-employee payroll	<u>\$3,277,706</u>	<u>\$3,151,640</u>
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>269.6%</u>	<u>262.7%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>44.52%</u>	<u>47.94%</u>

Town of Ashburnham's Schedule of Contributions - Worcester Regional Retirement System

	<u>2016</u>	<u>2015</u>
Contractually required contributions	<u>\$560,104</u>	<u>\$549,867</u>
Contributions in relation to the contractually required contribution	<u>(560,104)</u>	<u>(549,867)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Town's covered-employee payroll	<u>\$3,277,706</u>	<u>\$3,151,640</u>
Contributions as a percentage of covered-employee payroll	<u>17.09%</u>	<u>17.45%</u>

Note: The above schedules are required for ten years. Additional years will be presented as they become available. These amounts were determined for 2016 as of December 31, 2015. Differences between the amounts above and the financial statements are due to the presentation of the electric enterprise fund as of December 31, 2015.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2016

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 343,917	9,086	74,397	427,400
Investments	82,124	-	774,071	856,195
Receivables:				
Departmental	108,973	-	-	108,973
Due from other governments	-	-	-	-
	<u>535,014</u>	<u>9,086</u>	<u>848,468</u>	<u>1,392,568</u>
Total assets				
	<u>535,014</u>	<u>9,086</u>	<u>848,468</u>	<u>1,392,568</u>
<u>Deferred Outflows of Resources</u>				
Property taxes billed in advance	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources				
	<u>\$ 535,014</u>	<u>9,086</u>	<u>848,468</u>	<u>1,392,568</u>
<u>Liabilities</u>				
Warrants and accounts payable	\$ 20,281	4,760	-	25,041
Other liabilities	4,406	-	-	4,406
	<u>24,687</u>	<u>4,760</u>	<u>-</u>	<u>29,447</u>
Total liabilities				
	<u>24,687</u>	<u>4,760</u>	<u>-</u>	<u>29,447</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	108,973	-	-	108,973
	<u>108,973</u>	<u>-</u>	<u>-</u>	<u>108,973</u>
<u>Fund balances</u>				
Nonspendable	-	-	349,336	349,336
Restricted	267,448	4,326	499,132	770,906
Committed	-	-	-	-
Assigned	133,906	-	-	133,906
Unassigned	-	-	-	-
	<u>401,354</u>	<u>4,326</u>	<u>848,468</u>	<u>1,254,148</u>
Total fund balances				
	<u>401,354</u>	<u>4,326</u>	<u>848,468</u>	<u>1,254,148</u>
Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 535,014</u>	<u>9,086</u>	<u>848,468</u>	<u>1,392,568</u>

TOWN OF ASHBURNHAM, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues:				
Departmental charges for services	\$ 69,977	-	46,753	116,730
Intergovernmental	713,026	-	-	713,026
Investment income	4,764	-	29,864	34,628
Other	148,105	-	-	148,105
	<u>935,872</u>	<u>-</u>	<u>76,617</u>	<u>1,012,489</u>
Total revenues				
Expenditures:				
Current:				
General government	207,201	-	-	207,201
Public safety	124,815	-	-	124,815
Education	-	-	-	-
Public works	503,121	9,470	-	512,591
Human services	63,785	-	-	63,785
Recreation and culture	49,861	-	13,287	63,148
Debt service	-	-	-	-
	<u>948,783</u>	<u>9,470</u>	<u>13,287</u>	<u>971,540</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(12,911)	(9,470)	63,330	40,949
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(188,079)	-	(1,447)	(189,526)
	<u>(200,990)</u>	<u>(9,470)</u>	<u>61,883</u>	<u>(148,577)</u>
Net changes in fund balances				
Fund balance, beginning of year	602,344	13,796	786,585	1,402,725
Fund balance, end of year	<u>\$ 401,354</u>	<u>4,326</u>	<u>848,468</u>	<u>1,254,148</u>